

## Message Text

UNCLASSIFIED

PAGE 01     BERN 05716 01 OF 02 151444Z  
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05  
CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02  
PA-02 PRS-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00  
XMB-04 OPIC-06 LAB-04 SIL-01 FEAE-00 INT-05 OES-06  
FPC-01 /126 W

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R 151337Z DEC 76  
FM AMEMBASSY BERN  
TO SECSTATE WASHDC 3656  
INFO AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
USMISSION GENEVA  
USDEL MTN GENEVA  
AMCONSUL ZURICH

UNCLAS SECTION 1 OF 2 BERN 5716

PASS TRESURY AND FRB

EO 11652: NA  
TAGS: EFIN ECON SZ  
SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK DEC 5-11

1. SUMMARY: SWISS NATIONAL BANK INTERVENED ON FOREIGN  
EXCHANGE MAREKT TO SUPPORT DOLLAR AT SF 2.45. SWISS CREDIT  
BANK REPORTED THAT INCREASED INDUSTRIAL DEMAND IS PRIMARY  
FORCE MAINTAINING GOLD PRICE THIS YEAR. OFFICIALS FROM  
AUSTRIAN, WEST GERMAN AND SWISS FINANCE MINISTRIES MET IN  
ZURICH. UNION BANK OF SWITZERLAND FORECASTED CONTINUED  
SLOW ECONOMIC GROWTH IN 1977 FOR SWITZERLAND. END NOV  
WHOLESALE PRICE INDEX UNCHANGED FROM OCT, CONSUMER  
PRICE INDEX ROSE 0.2 PERCENT IN NOV. UNEMPLOYMENT  
RATE ROSE IN NOV TO 0.5 PERCENT. WATCH INDUSTRY  
OFFICIALS URGED PUBLIC AND PRIVATE INITIATIVES TO OVERCOME  
THE INDUSTRY'S IDFFICULTIES; PROPOSED EXPORT OF TECHNOLOGY  
AND PRODUCTION. SEVEN SWISS AND WEST GERMAN ELECTRONIC WATCH  
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PAGE 02     BERN 05716 01 OF 02 151444Z

FIRMS FORMED COOPERATIVE. PRESS EDITORIAL DISCOUNTED POSSIBLE

EXTEND OF OPEC OIL PRICE INCREASE. FEDERAL COUNCILOR KURT FURGLER (JUSTICE AND POLICE DEPT) WAS ELECTED PRESIDENT OF SWISS CONFEDERATION FOR 1977.

FINANCIAL.

2. FOREIGN EXCHANGE AND GOLD: FOREIGN EXCHANGE MARKET RELATIVELY CALM. DOLLAR WEAKENED SLIGHTLY AGAINST SWISS FRANC DURING EARLY WEEK BUT CLOSED FRIDAY AT SF 2.45, SAME AS MONDAY OPENING RATE. SWISS NATIONAL BANK INTERVENED IN SUPPORT OF DOLLAR. SNB FOREIGN EXCHANGE HOLDINGS AS OF DEC 7 SHOWED SF 1,881.6 MILLION INCREASE FROM DEC 1 DUE TO MARKET INTERVENTIONS AND SWAPS WITH COMMERCIAL BANKS; SNB HOLDINGS OF ROOSA BONDS DECLINED SF 23 MILLION TO SF 5,313 MILLION. DM STRENGTHENED SLIGHTLY AGAINST SF AND GOLD PRICE ROSE FROM 132 TO 137 FOLLOWING IMF GOLD AUCTION. RATES FOLLOW:

|                             | 12/6 (OPEN) | 12/10 (CLOSE) |
|-----------------------------|-------------|---------------|
| SPOT DOLLAR                 | 2.4525      | 2.4508        |
| FORWARD DISCOUNTS (PCT P A) |             |               |
| ONE MONTH                   | 3.45        | 3.53          |
| TWO MONTHS                  | 3.07        | 3.18          |
| THREE MONTHS                | 2.95        | 3.02          |
| SIX MONTHS                  | 2.92        | 2.86          |
| TWELVE MONTHS               | 2.78        | 2.82          |
| SF/DM                       | 101.95      | 102.26        |
| GOLD                        | 132.25      | 137.00        |

3. GOLDS: SWISS CREDIT BANK DEPUTY DIR RUDOLF SCHRIBER STATED THAT GOLD SUPPLY THIS YEAR WILL BE ABOUT 940 TONS FROM WESTERN PRODUCTION WHILE EAST BLOC COUNTRIES WILL SELL NEARLY 190 TONS, ABOUT 75 PERCENT OF THEIR PRODUCTION. SCHRIBER NOTED THAT FIRST HALF 1976 GOLD SALES FROM EAST EUROPE WERE ABOUT 170 TONS, BUT HE DOUBTED THAT THEIR SALES WOULD REACH 200 TONS THIS YEAR. SCHRIBER CITED US REPORT WHICH FORECAST THAT SOVIET GOLD PRODUCTION WOULD RISE FROM 230 TONS IN 1975 TO 270 TONS IN 1980 TO BOOST HARD CURRENCY EARNINGS. HE SAID THAT SALES OF OFFICIALLY HELD GOLD WILL REACH 100 TONS AND SALES BY PRIVATE UNCLASSIFIED

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PAGE 03    BERN 05716 01 OF 02 151444Z

INVESTORS WOULD ACCOUNT FOR ANOTHER 100 TONS TO BRING TOTAL MARKET SUPPLY THIS YEAR TO 1,330 TONS, UP 16 PERCENT OVER 1975. SCHRIBER NOTED THAT OBSERVERS HAD BELIEVED DEMAND WOULD BE INSUFFICIENT THIS YEAR TO ABSORB INCREASED SUPPLY. HOWEVER, INDUSTRIAL USE OF GOLD HAS RISEN TO ACCOUNT FOR 90 PERCENT OF DEMAND THIS YEAR, UP FROM 85 PERCENT LAST YEAR, WHEREAS 40 PERCENT OF GOLD SUPPLY WAS ONCE ABSORBED BY PRIVATE INVESTORS. SCHRIBER BELIEVED THAT INCREASED

DEMAND FOR GOLD IS RESULT OF FREEING OF INDUSTRIAL BUYING RESERVES AS GOLD PRICE DECLINED, TOGETHER WITH WORLD ECONOMIC RECOVERY. HE SAID THERE HAS BEEN SHIFT IN PRIVATE INVESTMENT WITH RETURN OF TRADITIONAL BUYERS FROM MIDDLE EAST AND FAR EAST AS IN 1973.

4. CAPITAL AND MONEY MARKETS: MARKETS HIGHLY LIQUID AND NERVOUS. CALL MONEY RATE FELL TO 0.25 PERCENT. STOCK PRICES IMPROVED; SKA INDEX (1959 - 100) 213 DEC 10. UP FROM 207.9 PERVIOUS WEEK. AVERAGE YIELD CONFEDERATION BONDS UP SLIGHTLY TO 4.44. SCANDINAVIAN AIRLINES SYSTEM ANNOUNCED PUBLIC LOAN ISSUE SF 80 MILLION AT 5.5 PERCENT INTEREST FOR 15 YEARS, ISSUE PRICE 99.5 PERCENT. JUETLAND TELEFON-AKTIESELSCHAFT, AARHUS, DENMARK ANNOUNCED PUBLIC LOAN ISSUE SF 60 MILLION AT 5.5 PERCENT INTEREST FOR 15 YEARS.

5. CONSULTATION: MEETING AT OFFICE DIR LEVEL TOOK PLACE BETWEEN REPS FROM FINANCE MINISTRIES OF WEST GERMAN (LAHNSTEIN), AUSTRIA (WAIZ) AND SWITZERLAND (BIERI) DEC 7 IN ZURICH FOR EXCHANGE OF VIEWS ON CURRENT ECONOMIC, FISCAL AND MONETARY POLICY ISSUES. FOLLOWING DISCUSSION OF ECONOMIC SITUATION AND TREND IN EACH COUNTRY, DELEGATIONS SAID THEY EXPECT SLOW BUT LASTING RECOVERY BASED ON SOUND MONETARY POLICY. CONSTRAINTS ON FISCAL POLICY AND EFFORTS TO BALANCE GOVT BUDGETS WERE ALSO DISCUSSED. DELEGATIONS EXPRESSED SATISFACTION WITH TALKS; ANOTHER MEETING IS SCHEDULED FOR NEXT YEAR.

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PAGE 01     BERN 05716 02 OF 02 151502Z  
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UNCLAS SECTION 2 OF 2 BERN 5716

PASS TREASURY AND FRB

ECONOMIC

6. 1977 FORECAST: UNION BANK OF SWITZERLAND PREDICTED THAT SLOW 1976 ECONOMIC RECOVERY WILL CONTINUE IN 1977. EXPORT DEMAND WILL BE MAIN STIMULUS IN 1977 BUT WEAKER THAN IN 1976 BECAUSE OF SLOWED ECONOMIC EXPANSION ABROAD AND STRENGTH OF SWISS FRANC. GROWTH PROSPECTS OF ENGINEERING AND CONSUMER GOODS INDUSTRIES APPEAR PARTICULARLY LIMITED. DOMESTIC DEMAND IS EXPECTED TO INCREASE SLOWLY. UBS ESTIMATED THAT REAL GNP WILL GROW BETWEEN 1 AND 1.5 PERCENT, CONSIDERABLY LESS THAN MOST OTHER COUNTRIES.

7. PRICES: WHOLESALE PRICE INDEX (1963 - 100) END NOV STOOD AT 147.6, UNCHANGED FROM OCT BUT UP BY 1.0 PERCENT FROM NOV 1975. CONSUMER PRICE INDEX (1966 EQUALS 100) ROSE SLIGHTLY IN NOV TO 166.7, UP 0.2 PERCENT FROM OCT AND 0.9 PERCENT FROM NOV 1975.  
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PAGE 02     BERN 05716 02 OF 02 151502Z

MONTHLY INCREASE IS LOWEST FOR ANY NOV SINCE 1964 WHILE YEAR-TO-YEAR INCREASE IS SMALLEST SINCE 1959. HIGHER PRICES RECORDED FOR RENTS, FOLLOWED BY SOME FOOD PRODUCTS, BEVERAGES AND TRANSPORTATION, WHILE HEATING AND LIGHTING COSTS DECLINED ALONG WITH EDUCATIONAL COSTS.

8. UNEMPLOYED: END NOV UNEMPLOYED REACHED 15,202, UP 2,306 OR 17.8 PERCENT FROM OCT BUT 5,000 OR 25 PERCENT BELOW NOV 1975. MOST INCREASE WAS IN METALS INDUSTRY FOLLOWED BY TECHNICAL FIELDS, RETAIL SALES AND OTHER PROFESSIONS. UNEMPLOYMENT RATE END NOV 0.5 PERCENT; UNFILLED JOBS DECREASED 10.2 PERCENT TO 3,976. DIR FEDERAL LABOR OFFICE BONNY STATED THAT REDUNDANCIES AND NUMBER OF RECENT FACTORY CLOSINGS SHOW THAT TOO MUCH OPTIMISM ABOUT ECONOMIC SITUATION IS UNJUSTIFIED. BONNY BELIEVED THAT NUMBER OF UNEMPLOYED WILL RISE AGAIN THIS WINTER, THOUGH NOT TO SAME EXTEND AS LAST YEAR.

9. WATCH INDUSTRY: WATCH INDUSTRY OFFICIALS REPORTED

THAT VOLUME OF EXPORTS OF WATCHES AND MOVEMENTS DURING FIRST 10 MONTHS 1976 WERE 6.8 PERCENT BELOW SAME PERIOD 1975 AND 29.7 PERCENT BELOW THAT OF 1974. WATCH FEDERATION PRESIDENT BAUER CALLED ON GOVT TO DEAL WITH PROBLEM OF APPRECIATED SWISS FRANC, GIVE MORE SUPPORT TO WATCH INDUSTRY RESEARCH AND DEVELOPMENT THAN FOR OTHER INDUSTRIES IN VIEW OF FOREIGN COMPETITION IN NEW MICRO-TECHNOLOGY, PROVIDE TAX INCENTIVES AND INVESTMENT RISK GUARANTEES TO FACILITATE AND SUPPORT ACQUISITION OF DISTRIBUTION NETWORKS, AND HELP OPEN NEW MARKET THROUGH MULTILATERAL AND BILATERAL TRADE NEGOTIATIONS. HE URGED INDUSTRY TO FIND THEIR OWN SOLUTIONS TO PROBLEMS WHICH ARE COMMON TO SWISS EXPORT INDUSTRIES AND ESPECIALLY PROMOTE HIGH QUALITY, INCREASE PRODUCTIVITY THROUGH CLOSER COOPERATION BETWEEN RELATED INDUSTRIES AND TAKE MEASURES TO MAXIMIZE RESEARCH AND DEVELOPMENT EFFORTS WITH GOVT SUPPORT. BAUER ALSO URGED INDUSTRY TO CONSIDER EXPORTING TECHNOLOGY AND PRODUCTION IF NECESSARY TO MEET FOREIGN COMPETITION OR SURMOUNT TRADE BARRIERS.

10. ELECTRONIC WATCH COOPERATIVE: 7 SWISS AND WEST GERMAN  
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PAGE 03     BERN 05716 02 OF 02 151502Z

WATCH MANUFACTURERS HAVE FORMED ELECTRONIC PRECISION INDUSTRIES COOPERATIVE (EPIC), ZURICH. SWISS MEMBERS ARE MONDAINE WATCH LTD, TIMELAC AG, MODULES ELECTRONIQUES SA, NEPRO WATCH, AND REMONTA, BERNHEIM AND CO. WEST GERMAN FIRMS ARE DIEHL KG, AND CEBRUEDER JUNGHANS CMBH.

11. OIL PRICES: JOURNAL DE GENEVE EDITORIAL DISCOUNTED POSSIBILITY THAT OPEC COUNTRIES WOULD RAISE OIL PRICES MORE THAN 10 PERCENT: EDITORIAL SAID PRICES WOULD PROBABLY RISE BETWEEN 5 AND 7 PERCENT, ENOUGH TO RAISE CONSUMING COUNTRIES ANNUAL OIL IMPORT BILL BY DOLS 10 BILLION. JOURNAL STATED THAT 1975 OPEC OIL PRICE RISE DID NOT MATCH INCREASE IN PRICES OF INDUSTRIAL GOODS AND EQUIPMENT, THE ASSERTED OPEC AIM. EDITORIAL BELIEVED THAT IN ADDITION TO US POLITICAL PRESSURE, OPEC FINDS LITTLE ROOM FOR MANEUVER BECAUSE USE OF OIL AS POWERFUL LEVEL IN FAVOR OF NEW ECONOMIC ORDER HAS RUN INTO THE HARD REALITY OF SLOW WESTERN ECONOMIC RECOVERY. JOURNAL SAID THAT OPEC MEMBERS ARE SERIOUSLY CONCERNED THAT HIGH PRICE RISE WOULD DEVLATE ECONOMIES, UNSETTLE BALANCE OF PAYMENTS AND EXCHANGE RATES, CAUSE RENEWED INFLATION AND MAKE DEVELOPMENT OF SUBSTITUTE ENERGY SOURCES ECONOMICAL.  
DAVIS

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, FINANCIAL STABILITY, FOREIGN EXCHANGE RATES, ECONOMIC REPORTS  
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**Copy:** SINGLE  
**Draft Date:** 15 DEC 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:**  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 MAY 2004 by hattaycs>; APPROVED <23 AUG 2004 by schwenja>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
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**Status:** NATIVE  
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**TAGS:** EFIN, ECON, SZ  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006